

TOWNSHIP OF STEPHENSON  
AUDITED FINANCIAL STATEMENTS  
REQUIRED SUPPLEMENTAL INFORMATION  
AND SUPPLEMENTAL REPORT  
YEAR ENDED MARCH 31, 2007

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF STEPHENSON	County MENOMINEE
Audit Date MARCH 31, 2007	Opinion Date MAY 25, 2007	Date Accountant Report Submitted to State: MAY 25, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

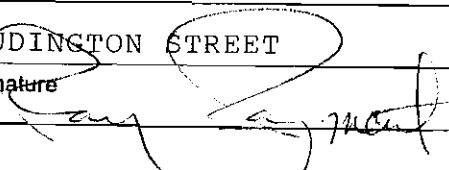
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) RAY PAYMENT, CPA			
Street Address 617 LODINGTON STREET	City ESCANABA	State MI	ZIP 49829
Accountant Signature 			

## CONTENTS

Audited Financial Statements:	
	<u>Page</u>
Independent Auditor's Report.....	3
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Fund.....	13
Reconciliation of the Balance Sheet of the Governmental Fund with the Statement of Net Assets.....	14
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund.....	15
Combined Statement of Fiduciary Net Assets- Fiduciary Funds.....	16
Notes to Financial Statements.....	18
Required Supplemental Information:	
Budgetary Comparison Schedules - Governmental Fund.....	27
Other Financial Information:	
Fiduciary Funds - Statement of Changes in Assets and Liabilities.....	29
Supplemental Report -	
Report on Compliance and Other Matters Based on an Audit of Financial Statements.....	A-1

RAYMOND L. PAYMENT  
CERTIFIED PUBLIC ACCOUNTANT

617 LUDINGTON STREET  
ESCANABA, MICHIGAN 49829  
PHONE: 906-786-8520  
FAX: 906-786-8521

PROFESSIONAL BUILDING  
STEPHENSON, MICHIGAN 49887  
PHONE: 906-753-4700

May 25, 2007

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board  
Township of Stephenson  
Menominee County, Michigan

I have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Stephenson Township, as of and for the year ended March 31, 2007, which collectively comprise the basic financial statements of Stephenson Township as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Stephenson Township as of March 31, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments, as amended and interpreted, as of April 1, 2006.

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in dark ink, appearing to read "Ray Rayment", with a stylized, looping flourish at the end.

Ray L. Rayment  
Certified Public Accountant

TOWNSHIP OF STEPHENSON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended March 31, 2007

---

**Management's Discussion and Analysis**

This section of the Stephenson Township annual financial report presents our discussion and analysis of the Township's performance during the year ended March 31, 2007. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) Basic Financial Statements - and Managements Discussion and Analysis - for State and Local Governments, as amended and interpreted, and is intended to provide the financial results for the fiscal year ending March 31, 2007. This is the first year of GASB 34 implementation. As a result the financial report is presented differently than previous years. Because this is the first year of implementation of GASB Statement No. 34, prior-year data is not available but will be provided in subsequent years for comparative purposes.

**Government-wide Financial Statements**

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual method of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities except the fiduciary funds. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded primarily by property taxes and by and state grants.

The statement of net assets reports the Township's assets and liabilities. The corresponding balance between the assets and liabilities equals the net assets of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the financial position of the Township generally is. It helps management determine if the Township will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net assets on a revenue less expense basis. It shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township.

TOWNSHIP OF STEPHENSON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

---

**Fund Financial Statements**

The Township's fund financial statements show a detail of funds that are determined to be significant, called major funds. The funds that are separately stated as the major fund are the General Fund and Special Revenue Fund.

Governmental funds are accounted for by the modified accrual method of accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show the detail of operations for a given year according to this method of accounting. This is similar to how the Township reported their finances in the past. The individual fund statements help management determine what financial resources are available on a short-term basis to fund operations.

Although the government-wide financial statements and the fund financial statements use different methods of accounting to report the Township's financial condition, there are no current year differences between the two types of statements except depreciation expense and fixed assets.

Fiduciary funds, such as the Cemetery and Tax Collection Funds, are reported in the fiduciary fund financial statement, but are excluded from the government-wide reporting. The fiduciary fund financial statement reports resources that are not available to fund Township programs. The fiduciary fund financial statement reports similarly to governmental funds.

TOWNSHIP OF STEPHENSON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

---

**Government-wide Financial Statements - Condensed Financial Information**

Statement of Net Assets

The following is a March 31, 2007 condensed statement of net assets with a detailed analysis of the statement below.

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and CD's	\$ 393,047
Receivables - property taxes	<u>2,217</u>
Total Current Assets	\$ 395,264
Noncurrent Assets -	
Capital assets, net of accumulated depreciation	<u>7,057</u>
Total Assets	<u>\$ 402,321</u>
LIABILITIES	
Payroll taxes	<u>\$ 118</u>
NET ASSETS	<u>\$ 402,203</u>
Invested in capital assets, net of related debt	\$ 7,057
Unrestricted	<u>395,146</u>
Total Net Assets	<u>\$ 402,203</u>

The Township's total net assets are \$402,203 at March 31, 2007. Capital assets are \$7,057. This figure is derived by taking the original cost of the Township's assets and subtracting accumulated depreciation to date.

TOWNSHIP OF STEPHENSON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

---

**Government-wide Financial Statements - Condensed Financial Information**

Statement of Net Assets (Continued)

The total unrestricted net assets are \$395,146 as of March 31, 2007. This is the net accumulated result of the current and past years' operations. The balance in the unrestricted net assets shows that the Township has an ample amount of assets to fund liabilities at March 31, 2007.

**Statement of Activities**

The results of operations for the Township as a whole are reported in the statement of activities. This statement reports the changes in net assets for the fiscal year ended March 31, 2007. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to the previous year are not made.

	<u>Governmental Activities</u>
Revenue:	
Program Revenues:	
Charges for services	\$ 18,507
Operating grants and contributions	3,739
General Revenues:	
Taxes and collection fees	45,293
State and federal grants	52,526
Interest and rents	15,980
Other revenue	<u>-</u>
Total Revenue	\$ 136,045
Program expenses -	
Governmental activities	<u>98,457</u>
Increase in Net Assets	\$ <u>37,588</u>

The Township had an overall increase in net assets of \$37,588 for the year ended March 31, 2007. The Township's revenues totaled \$136,045.

TOWNSHIP OF STEPHENSON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

---

**Statement of Activities (Continued)**

The Township's total cost to fund governmental activities was \$98,457. A majority of these costs were funded by property taxes and state and federal grants. This shows the Township has reliance on property taxes and grants to provide future funding for its programs and administrative costs.

**Governmental Fund Budgetary Items**

A schedule showing the Township's original budget, final budget and the actual results are included as required supplementary information in the financial section of the audit report. There were no budget revisions made during the year.

**Capital Assets**

At March 31, 2007, the Township had \$7,057 invested in capital assets net of accumulated depreciation. The changes in capital assets during the year ended March 31, 2007 were equipment purchases of \$4,691 and retirements of \$1,100.

**Debt**

The Township had no outstanding debt at March 31, 2007.

**Future Considerations**

The change in state aid payments along with State budget cuts will impact the financial condition of the Township. The Township has adopted a budget for the upcoming fiscal year that should not over expend it's funding and leave the Township with a positive Fund Balance.

**Contacting the Township**

If you have any questions about this report or need additional information, contact the Township offices.

BASIC  
FINANCIAL  
STATEMENTS

TOWNSHIP OF STEPHENSON  
STATEMENT OF NET ASSETS

March 31, 2007

---

ASSETS

CURRENT ASSETS:

Cash and CD's	\$ 393 047
Receivables - property taxes	<u>2 217</u>

TOTAL CURRENT ASSETS	<u>\$ 395 264</u>
----------------------	-------------------

NONCURRENT ASSETS

Capital assets	80 050
Less accumulated depreciation	<u>( 72 993)</u>

TOTAL NONCURRENT ASSETS	<u>7 057</u>
-------------------------	--------------

TOTAL ASSETS	<u>\$ 402 321</u>
--------------	-------------------

LIABILITIES

Payroll taxes	<u>\$ 118</u>
---------------	---------------

NET ASSETS	<u>\$ 402,203</u>
------------	-------------------

Invested in capital assets, net of related debt	\$ 7,057
Unrestricted	<u>395 146</u>

TOTAL NET ASSETS	<u>\$ 402 203</u>
------------------	-------------------

The accompanying notes are an integral part of  
the financial statements.

TOWNSHIP OF STEPHENSON  
STATEMENT OF ACTIVITIES

March 31, 2007

		<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>			
Governmental activities:				
Legislative General	\$ 3 532	\$ -	\$ -	\$ ( 3 532)
Government	47 989	280	3 021	( 44 688)
Public Safety	18 808	3 650	718	( 14 440)
Public Works	2 521	-	-	( 2 521)
Other functions	<u>25 607</u>	<u>14 577</u>	<u>-</u>	<u>( 11 030)</u>
Total Governmental Activities	\$ 98 457	\$ 18 507	\$ 3 739	\$ ( 76 211)
General revenues:				
Taxes and collection fees				\$ 45 293
State and federal grants				52 526
Interest and rents				15 980
Other revenue				<u>-</u>
Total General Revenues				<u>113 799</u>
Changes in Net Assets				\$ 37 588
Net assets at April 1, 2006				<u>364 615</u>
Net assets at March 31, 2007				<u>\$ 402 203</u>

The accompanying notes are an integral part  
of the financial statements.

TOWNSHIP OF STEPHENSON  
BALANCE SHEET - GOVERNMENTAL FUNDS

March 31, 2007

ASSETS			
	General Fund	Fire Fund	Total
Cash and CD's	\$ 393 047	\$ -	\$ 393 047
Receivables - property taxes	<u>1 314</u>	<u>903</u>	<u>2 217</u>
TOTAL ASSETS	<u>\$ 394 361</u>	<u>\$ 903</u>	<u>\$ 395 264</u>
LIABILITIES AND FUND EQUITY			
Liabilities - Payroll taxes	\$ 118	\$ -	\$ 118
Fund Equity - unreserved fund balance	<u>394 243</u>	<u>903</u>	<u>395 146</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 394 361</u>	<u>\$ 903</u>	<u>\$ 395 264</u>

The accompanying notes are an integral part  
of the financial statements.

TOWNSHIP OF STEPHENSON  
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND  
WITH THE STATEMENT OF NET ASSETS

March 31, 2007

---

Total fund equity of governmental activities	\$395 146
--	-----------

Amounts reported for governmental activities in the  
statement of net assets are different because:

Additions:

Capital assets used in government activities  
are not financial resources and therefore are  
not reported as assets in governmental funds.

Cost of capital assets	\$ 80 050	
Accumulated depreciation	<u>(72 993)</u>	<u>7 057</u>

Total net assets of governmental activities	\$402 203
---	-----------

---

The accompanying notes are an integral part of the  
financial statements.

TOWNSHIP OF STEPHENSON  
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
GENERAL AND SPECIAL REVENUE FUNDS  
MARCH 31, 2007

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Current property taxes	\$23 138	\$ 15 807	\$ 38 945
Fire calls	3 650	-	3 650
Transfers from cemetery expendable trust	4 517	-	4 517
Tax collection fees	6 348	-	6 348
State revenue sharing	49 119	-	49 119
Liquor license fees	-	718	718
Charges for services & cemetery	10 060	-	10 060
Swamp tax	3 407	-	3 407
Interest	14 730	-	14 730
Rents	1 250	-	1 250
Reimbursements & miscellaneous	280	-	280
Metro Grant	3 021	-	3 021
	<u>119 520</u>	<u>16 525</u>	<u>136 045</u>
TOTAL RECEIPTS			
CASH DISBURSEMENTS:			
Legislative:			
Township board expenses	3 532	-	3 532
General Government:			
Payroll taxes	2 997	-	2 997
Township supervisor	5 509	-	5 509
Retirement	1 875	-	1 875
Elections	2 271	-	2 271
Assessor	8 262	-	8 262
Insurance	5 266	-	5 266
Township clerk	6 425	-	6 425
Zoning and Board of Review	2 699	-	2 699
Treasurer and tax roll expenses	7 826	-	7 826
Township hall	3 706	-	3 706
Fire protection	2 185	15 905	18 090
Liquor law enforcement	-	718	718
Highways, roads & street lights	2 434	-	2 434
Rescue squad and fire numbers	87	-	87
Cemetery maintenance & equipment	25 607	-	25 607
	<u>80 681</u>	<u>16 623</u>	<u>97 304</u>
TOTAL DISBURSEMENTS			
EXCESS OF REVENUES OVER (UNDER) DISBURSEMENTS	38 839	( 98)	38 741
FUND BALANCE, April 1, 2006	<u>355 404</u>	<u>1 001</u>	<u>356 405</u>
FUND BALANCE, March 31, 2007	<u>\$394 243</u>	<u>\$ 903</u>	<u>\$395 146</u>

The accompanying notes are an integral part  
of the financial statements.

TOWNSHIP OF STEPHENSON  
COMBINED STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

March 31, 2007

---

ASSETS	
	Cemetery Perpetual Care Fund
	<hr/>
Cash in bank	\$ 178 202
	<hr/>
NET ASSETS	
Net Assets - Restricted for cemetery use	\$ 178 202
	<hr/>

The accompanying notes are an integral  
part of the financial statements.

NOTES  
TO  
FINANCIAL  
STATEMENTS

TOWNSHIP OF STEPHENSON  
NOTES TO FINANCIAL STATEMENTS

March 31, 2007

---

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Stephenson Township operates under an elected Board of Trustees. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the Township's accounting policies are described below.

Financial Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township entity for financial-reporting purposes. The criteria established for determining the various governmental organizations to be included in the Township's financial statements include oversight responsibility, scope of public service and special financing relationships.

On this basis, the financial statements of the local school district are not included in the financial statements of the Township. Educational services are provided to citizens through the local school district, which is a separate governmental entity.

Basis of Presentation

Governmental-wide Financial Statements

The Township government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the Township except for the fiduciary activities. All of the Township activities are considered to be governmental activities. There was no interfund activity to be eliminated in the Governmental-wide financial statements.

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental and fiduciary funds are provided. The Township reports the General and Special Revenue Funds and Major Fund.

TOWNSHIP OF STEPHENSON  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund-based Financial Statements (Continued)

Governmental Fund Type

General Fund and Special Revenue Funds - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state and federal grants and various local sources. The Special Revenue Funds account for revenues and expenditures to be used as per legal or regulatory provisions.

Fiduciary Fund Type

Cemetery Perpetual Care Fund is used to account for assets held by the Township in a trustee capacity. This fund is custodial in nature and does not involve measurement of results of operations.

Basis of Accounting

Government-wide Financial Statements

The Governmental-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the Township's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the Township provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state and federal aid and other revenues that are not program revenues are reported as general revenues.

TOWNSHIP OF STEPHENSON  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Fund-based Financial Statements

Governmental fund types and Agency Funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available (often referred to as "susceptible to accrual"). Revenues are available when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The Township considers revenues to be available if they are expected to be collected within 60 days of the end of the year, except that tax revenues, fees and nontax revenues are recognized when received. Grants, entitlements and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when all applicable eligibility requirements of the grants are met and resources are available. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due. The Township has no long-term debt.

Budgets and the Budgetary Process

The Township Board adopts an annual operating budget, which can be amended by the Board throughout the year. Formal budgetary accounting is employed as a management control for the Township. For budgetary purposes, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of generally accepted accounting principles. For this reason, there is no common basis for preparing a reconciliation between budgeted and actual amounts. The budgeted financial statements presented in this report reflect the final budget authorization, including all amendments. Budgets are adopted on the functional level and lapse at the end of the year.

TOWNSHIP OF STEPHENSON  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax Revenues

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent rolls. The Township records property taxes as a receivable and a revenue as collections are made, when monies are available for use to finance Township operations. Delinquent real property taxes of the Township and all other local units are purchased annually by the County. The Township bills and collects its own property taxes and also collects current rolls for the County, Intermediate School District and Local School District.

Capital Assets and Depreciation

Capital assets include land, buildings and improvements and equipment and are reported in the Government-wide financial statements. Capital assets are defined by the Township as assets with an acquisition cost of generally more than \$100 or betterments totaling \$1,000 with an estimated useful life in excess of five years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for that function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The Capital assets are depreciated using the straight-line method over the following useful lives:

Land	Not depreciated
Buildings and improvements	25-50 years
Equipment	5-10 years

Investment in Capital Assets

This is a portion of net assets of the Township that consists of capital assets, net accumulated depreciation. The Township had net investment in capital assets at March 31, 2007 of \$7,057.

Restricted Assets

Net assets are restricted when there are constraints placed on their use by external parties or by statute. The Township has no restricted assets at March 31, 2007.

TOWNSHIP OF STEPHENSON  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Net Assets

Net assets not meeting either criteria above are considered unrestricted.

Fund Equity

The unreserved fund equity for governmental funds represent the amount available for budgeting future operations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Accounting Change

Effective April 1, 2006, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB No. 34). Significant changes to the Township's financial statements as a result of GASB No. 34 are as follows:

Management Discussion and Analysis - provides analysis of the Township's overall financial position and results of operations as reported by the Township's management.

Government-wide financial statements - Statement of Net Assets and Statement of Activities are prepared using the full accrual basis of accounting that includes all of the Township's activities.

Capital assets - recorded in the governmental activities statement of net assets at March 31, 2007 are \$80,050 along with \$72,993 of accumulated depreciation of those capital assets. The March 31, 2005 financial statements reported fixed assets in the General Fixed Assets Account Group (GFAAG) that has been eliminated for reporting purposes. No change was reported in the historical cost of the assets from the GFAAG to the current April 1, 2006 beginning capital assets balance.

Major funds - fund-based financial statements focus on major funds rather than fund-types. Major funds are determined based on the comparison of activity of individual governmental funds to total governmental fund activity.

TOWNSHIP OF STEPHENSON  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

NOTE B - CASH INFORMATION

All deposits were made either in banks insured by federal depository insurance or with an investment broker who purchased certificates of deposit insured by federal depository insurance. Deposits were made in accordance with State of Michigan statutes and under authorization of the Township Board.

At March 31, 2007 total cash and certificates of deposit as reported by banks and investment broker amounted to \$571,468, of which \$500,000 was covered by depository insurance and \$71,468 was not covered.

NOTE C - PROPERTY TAXES

A summary of the 2006 tax roll follows:

<u>Taxing Unit</u>	<u>Mills</u>	<u>Spread</u>	<u>Delinquent</u>	<u>Collected</u>
County	8.8205	\$ 142 075	\$ 6 361	\$ 135 714
State education tax	6.0000	96 652	3 335	93 317
Local school	20.3576	114 366	7 120	107 246
Intermediate school	2.2619	36 433	2 069	34 364
Township - General	1.4366	23 138	1 314	21 824
- Fire	<u>.9864</u>	<u>15 886</u>	<u>902</u>	<u>14 984</u>
TOTALS	39.8630	\$ 428 550	\$ 21 101	\$ 407 449
				<u>\$16 109 171</u>
Taxable Valuation				

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE D - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Public Act 275 of 1980 Disclosure

The Township had no funds with a deficit as of March 31, 2007.

### Public Act 621 of 1978 Disclosure

Public Act 621 of 1978, as amended, provides that a local unit of government shall not incur expenditures in excess of the amount appropriated. The Township was in substantial compliance with the Act.

## NOTE E - PROPERTY TAX ADMINISTRATION FEE

The Township has not established a subsidiary ledger to account for costs incurred in collection, assessing and reviewing of property tax levies as required by Public Act 503 of 1982. A summary of the transactions that would affect the balance sheet equity account for the ended March 31, 2007, follows:

Receipts from charging administrative fee	\$ 6 348
Cost incurred	<u>7 826</u>
Excess of costs	<u><u>\$ (1 478)</u></u>

## NOTE F - CAPITAL ASSETS

Following is a summary of changes in capital assets during the year ended March 31, 2007:

	Balance at April 1, 2006	Additions	Disposals	Balance at March 31, 2007
<u>Governmental Activities</u>				
Assets:				
Buildings and improvements	\$ 60 500	\$ -	\$ -	\$ 60 500
Equipment	<u>15 959</u>	<u>4 691</u>	<u>( 1 100)</u>	<u>19 550</u>
	\$ 76 459	\$ 4 691	\$ ( 1 100)	\$ 80 050
Less accumulated depreciation	<u>72 940</u>	<u>1 153</u>	<u>( 1 100)</u>	<u>72 993</u>
Net Capital Assets	<u><u>\$ 3 519</u></u>	<u><u>\$ 3 538</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7 057</u></u>

TOWNSHIP OF STEHPENSON  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

NOTE G - RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies.

All risk management activities are accounted for in the General Fund of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2007, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provisions for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

REQUIRED  
SUPPLEMENTAL  
INFORMATION

TOWNSHIP OF STEPHENSON  
 COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
 GENERAL AND SPECIAL REVENUE FUNDS  
 MARCH 31, 2007

	General Fund		
	Actual Amount	Budget Amount	Variance Favorable (Unfavorable)
CASH RECEIPTS:			
Property taxes	\$ 23 138	\$ 23 000	\$ 138
Fire calls	3 650	1 800	1 850
Tax collection fees	6 348	-	6 348
State revenue sharing	49 119	48 000	1 119
Liquor license fees	-	-	-
Charges for services & cemetery	10 060	9 700	360
Swamp tax	3 407	-	3 407
Interest	14 730	10 000	4 730
Rents	1 250	500	750
Reimbursements & Metro Grant	3 301	3 700	( 399)
TOTAL RECEIPTS	<u>115 003</u>	<u>96 700</u>	<u>18 303</u>
CASH DISBURSEMENTS			
Township board expenses	3 532	4 420	888
Assessor	8 262	8 240	( 22)
Township supervisor	5 509	5 700	191
Elections	2 271	1 100	( 1 171)
Cemetery (net of transfer \$4,517)	21 090	20 660	( 430)
Township clerk and expenses	6 425	6 200	( 225)
Board of Review and zoning	2 699	2 725	26
Treasurer and expenses	7 826	7 300	( 526)
Township hall and grounds	3 706	3 400	( 306)
Liquor law enforcement	-	-	-
Fire protection	2 185	5 120	2 935
Highways, roads and street lights	2 434	21 020	18 586
Retirement	1 875	2 235	360
Social security tax and MESC	2 997	2 800	( 197)
Insurance and bonds	5 266	5 780	514
Rescue squad and fire numbers	87	-	( 87)
TOTAL DISBURSEMENTS	<u>76 164</u>	<u>96 700</u>	<u>20 536</u>
EXCESS OF REVENUES OVER (UNDER) DISBURSEMENTS	38 839	-	38 839
FUND BALANCE, April 1, 2006	<u>355 404</u>	<u>355 404</u>	<u>-</u>
FUND BALANCE, March 31, 2007	<u>\$394 243</u>	<u>\$ 355 404</u>	<u>\$ 38 839</u>

The accompanying notes are an integral part  
 of the financial statements.

Special Revenue Funds		
Actual Amount	Budget Amount	Variance Favorable (Unfavorable)
\$ 15 807	\$ 14 380	\$ 1 427
-	-	-
-	-	-
718	700	( 18)
-	-	-
-	-	-
-	-	-
-	-	-
<u>16 525</u>	<u>15 080</u>	<u>1 445</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
718	700	( 18)
15 905	14 380	( 1 525)
-	-	-
-	-	-
-	-	-
-	-	-
<u>16 623</u>	<u>15 080</u>	<u>( 1 543)</u>
( 98)	-	( 98)
<u>1 001</u>	<u>1 001</u>	<u>-</u>
\$ 903	\$ 1 001	\$ ( 98)

OTHER  
FINANCIAL  
INFORMATION

TOWNSHIP OF STEPHENSON  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FIDUCIARY FUND TYPES - TAX FUND  
MARCH 31, 2007

<u>CURRENT TAX COLLECTION FUND</u>	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2007</u>
<u>ASSETS</u>				
Cash	\$ -	\$ 415 406	\$ 415 406	\$ -
TOTAL ASSETS	\$ -	\$ 415 406	\$ 415 406	\$ -
<u>LIABILITIES</u>				
Due to other taxing units:				
Township of Stephenson -				
General Fund	\$ -	\$ 29 589	\$ 29 589	\$ -
Fire Fund	\$ -	\$ 14 986	\$ 14 986	\$ -
Menominee County	-	135 914	135 914	-
Intermediate School				
District	-	34 364	34 364	-
State of Michigan-S.E.T.	-	93 317	93 317	-
Stephenson Area Schools	-	107 246	107 246	-
TOTAL LIABILITIES	\$ -	\$ 415 406	\$ 415 406	\$ -

REPORT ON COMPLIANCE  
AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS

Supervisor and Members of the Board  
Township of Stephenson  
Menominee County, Michigan

I have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Stephenson Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements and have issued my report thereon dated May 25, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stephenson Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance with State of Michigan deposit laws.

This report is intended solely for the information and use of the Township Board, management and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Ray L. Payment". The signature is stylized with a large, looping "R" and a long horizontal stroke at the end.

Ray L. Payment  
Certified Public Accountant